

# INTERNATIONAL INDUSTRIAL AGREEMENTS

## (*Cartels, Combinations and Trusts*)

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THE international cartel movement, which has made remarkable progress since the war, has recently attracted renewed attention. Not only have there been striking developments in the international match combination—evidenced by its recent loan agreement with the German government—but the League of Nations has also instituted inquiries into the coal and sugar industries. The fact that the new developments are reaching into the field of consumers' goods, such as matches, coal, sugar, rayon, margarine and soap, has emphasized the public significance of the movement.

Generalizations are often made as to the extent to which the foreign policy of governments has been influenced by conflicts of private groups concerning raw materials and markets; but little attention has been paid to the present tendency of these private groups to eliminate causes of conflict by agreements between themselves.

Such agreements have taken a multitude of forms, ranging from gentlemen's agreements to what are in effect huge international corporations with national branches. In a general way, the term international cartel is frequently applied to any such arrangement, although the cartel is, properly speaking, a very restricted form of industrial cooperation and really closest to what in American usage is called a "pool."

Professor Liefmann has defined the cartel as "a voluntary combination of business enterprises engaged in the same line of business and each retaining its independence, for the purpose of establishing monopolistic control of the market." Strict adherence to this historically accurate definition would not permit one to include in a study of cartels such groups as the rayon,

the match, or the margarine combinations, as they are not concerned with "independent" enterprises but with enterprises in which varying degrees of interlinking ownership have been established.<sup>1</sup> In the present report, which deals with various types of enterprise, the term "international combination" will be used to designate every agreement or association of enterprises from two or more countries which aims at some form of restriction of competition and market control. The term therefore covers such various forms of "community of interest" (*Interessen Gemeinschaft*) as the cartel proper, holding companies, subsidiaries of various types, interlocking directorates, contracts for the limitation of output, or patent pools.<sup>2</sup>

It is not always easy to indicate by a single phrase the exact nature of many of these international combinations, since variations of form are numerous. In general one may say, however, that the terms applied to such combinations vary according to the degree of autonomy enjoyed by the different units which go to make up each combination. For example, what was originally called a "cartel" may become an "international trust" if the independence of the different units of the original cartel becomes merely nominal for any one of a number of reasons—such as the establishment of interlocking directorates, or the acquisition of shares by one of the units in several

1. Cf. for instance, *Trade Information Bulletin No. 43* (United States Department of Commerce) in which the author (L. Domeratsky) adopts a similar narrow definition of Professor Grunzel's, but includes in his discussion the "so-called rayon cartel. For an interesting discussion of the different types of agreement primarily from a legal point of view, see League of Nations, Economic and Financial Section, *Review of the Legal Aspects of Industrial Agreements*, E 529, September 12, 1929.

2. In order to avoid somewhat academic discussions about definitions, the League of Nations generally refers in its documents to "international industrial agreements" (*ententes*) when it wishes to designate combinations of this sort.

the others. In certain cases there is no clear line of demarcation between one type of combination and another, the rayon and incandescent lamp groups being illustrations of the mixed organizations which belong specifically to no single type. The question of the independence of the component units

is fundamentally significant, however, since a judgment as to the ultimate benefits of the movement is likely to turn upon the permanence of its organization. The permanence of organization, of course, depends finally upon the type of organization and control.

### HISTORY OF THE MOVEMENT

International combinations are not peculiar to the post-war period. There were over a hundred known varieties in existence before the war. Most of them were of a very limited scope, however—as are the greater number of present-day arrangements of this type. The latter are largely agreements between the industrial interests of two or three contiguous countries, or more specifically between an industry and affiliated enterprises in neighboring territories. The greater part of the pre-war agreements of this sort collapsed during the war. Their revival after the war was, however, so startling in its momentum as to place the movement in the centre of the discussion which led to the calling of the World Economic Conference of 1927.

For this revival several reasons can be adduced, some of permanent significance and others due to peculiar post-war factors. In many countries there existed a certain fatigue in the immediate post-war period and a desire to recuperate and consolidate holdings in peaceful exclusion of competitors, at least for a certain period. Political disruption through the peace treaties of territory which had previously been united was another of the peculiar post-war factors encouraging the formation of international combinations. Some of the Central European cartels simply represented an economic restoration of a unity which political arrangements had disturbed by the establishment of new frontiers. The Franco-German potash agreement is of this type and even the European steel cartel is essentially an arrangement between the producers of Lorraine, Luxemburg, the Saar, and Silesia who had formerly operated within the German system—although in this case the inclusion of the original French and Belgian production was also required for the success of the agreement.

The war, moreover, led generally to rapid expansion of a large number of industries to a point considerably beyond the normal needs of the different countries. This over-expansion of productive capacity led to bitter competitive struggles after the signing of the peace treaty in a continent the purchasing power of which was reduced considerably below the pre-war average. "Dumping" was one of the results of this competition and furnished—because of its disastrous effects—an incentive toward international agreements.

With the passing of time, some of the special post-war factors are gradually disappearing, and more permanent considerations are replacing them in the movement toward integration of industry.<sup>3</sup> In many industries the amount of capital invested per wage-earner employed has increased, and as a consequence the permanent overhead costs tend to become an ever-increasing burden, which comes to weigh more heavily with the management than the risks of competition. The enlarged investment in ever more specialized and less adaptable machinery and plant shifts the attention of the directors of the enterprise toward developing continuous and regular markets. The initial by-product of this shift—the phenomenon of "dumping"—merely tends to emphasize the need for international agreement.

These considerations make it quite clear, therefore, that the ideal industries for "cartelization" or integration—i. e., those in which there are strong fundamental economic forces at work toward integration—are the industries which lend themselves to mass production and the employment of large capital, whereas industries in which

<sup>3</sup>. This is now peculiarly evident in the consideration of the future of the Saar territory.

skilled labor is an important factor will not so readily "cartelize" or combine, because the latter do not generally bear a heavy burden of overhead costs and because many of them operate in small units.

One of the striking features of the cartel and combination movement in Europe is undoubtedly the importance of the part played by Germany. This feature of the movement illustrates not only the rapid recovery of the German industrial and economic system but also the significance of the two factors discussed above—viz., the territorial readjustments imposed by the peace treaties and those inherent tendencies of modern industry which would naturally show themselves in Germany, with its highly developed "finished products" industries, before they appeared elsewhere on the Continent. The long experience which German leaders have had

in national cartel arrangements also serves to explain the importance of German participation in this type of enterprise, for the cartel is historically above all a German form of organization. Before the war the German government took a more favorable view of the cartel movement than was taken elsewhere and actually participated in some of the combinations. Since the revolution the attitude has changed somewhat, as is evident from the administrative and judicial functions which were granted to the Cartel Court (*Kartell Gericht*). But even so the cartels have continued to flourish. Gustav Schmoller estimated the number of German cartels in 1908 at more than 500, while Professor Julius Hirsch places the figure at "more than 2,000" for the year 1926.<sup>4</sup> Here was obviously a wide field for the acquisition of experience which would prove useful in subsequent international developments.

## CLASSIFICATION

Although it is often convenient to classify international combinations according to their various forms of organization, they may also be classified according to their fundamental economic purposes. Most of the organizations, however, are "mixed" and have some characteristics of all the various classifications. The most fundamental distinction from an economic point of view is undoubtedly between the groups where the central purpose is the reduction of production costs through increased efficiency and those where the central purpose is the increase or stabilization of prices through control of the market.

### COMBINATIONS FOR SCIENTIFIC MANAGEMENT

The first group simply tends toward "rationalization"—that is, a more rational organization of production or, as we should call it, "scientific management."<sup>5</sup> By private arrangements between individual producers it would establish the division of labor along

international lines, of which economists have so long pointed out the advantages, but which it has been impossible to obtain because of political obstacles. Here the larger unit is arrived at because of its technical advantages which, of course, will differ in one branch of production from those in another. Such consolidations are generally approved, public interest having no reason to interfere with them, but tending on the contrary to encourage them.

It is quite clear, however, that the most effective rationalization would involve the closing down of inefficient plants with high costs of production and the transfer of their production to the units with the lowest costs. That is to say, the greatest saving would be achieved through the annihilation by private means of some of the effects of protective tariffs. Obviously such a measure could only be put into effect by a strong combination with well-nigh complete monopolistic control, and as this is even more difficult to

4. Estimates vary rather widely, even for the same year—a fact which is partly explained by the different definitions of the cartel. Cf. the interesting discussion in Michels, *Cartels, Combines and Trusts in Post-War Germany* (Columbia University Press), especially p. 170-73.

5. At Geneva in 1927 the rationalization of production was discussed simultaneously with international industrial agreements. The *Final Report of the World Economic Conference* (p. 41) defines rationalization as "the method of technique

and of organization designed to secure the minimum waste of either effort or material." The term "rationalization" is somewhat vague and covers a very great number of others, such as "Taylorism," "Fordismus," etc. Cf. for instance, André Fourgeaud, *La Rationalisation: Etats-Unis, Allemagne, Taylorisme, Socialisme rationnel, Fordisme, Normalisation, etc.* Cf. also the two memoranda published by the International Management Institute at Geneva for the World Economic Conference in 1927: H. S. Person, *Scientific Management and Cartels*, and H. M. Spitzer, *Rationalisation and Cartels*.

achieve in the international field than it is in the national, such a consummation is not likely to take place. It does, however, represent the ultimate end toward which such a group might work. It is also clear, however, that the ordinary cartel structure will not achieve any noteworthy results along this line, since the fear of dissolution will lead all parties to desire maintenance of their old plants as a guarantee that their interests will have sufficient bargaining strength. The form of organization likely to succeed in transferring production to units operating at lowest costs is therefore a completely centralized international combination, where the national units have become subordinate to the general structure. As we shall see further on, some results along this line have already been realized, as in the case of the rayon agreement and, in general, in all industries in which patented processes play a considerable part.

#### **COMBINATIONS FOR STABILIZING MARKETS**

The second general group of combinations referred to above (at present numerically much more significant than the first group) does not have as its central purpose an increase in efficiency or lower costs of production. It exists primarily for the purpose of controlling the market in order to stabilize or to raise prices. The economic gains it aims at are not technologically inherent in the size of the combination; they are rather achieved at the expense of other economic groups by means of the monopoly or degree of control of the market which the combination succeeds in establishing. Here inefficient as well as efficient producers are maintained in their position and guarantees are given them that they will not be disturbed within certain limits. Apart from the sometimes considerable savings which result from the elimination of competitive expenditure, no economic gains are achieved by this second type of combination beyond increasing stability and furnishing a guarantee against various kinds of dumping.

The public aspects of such combinations are worthy of serious consideration, and problems arise which legitimately attract attention of labor groups as well as of consumers. The stability which groups of this type produce is seldom more than illusory,

since the stronger and more efficiently organized units within each group always resent their subordination to the lower standards and requirements of the weaker members. There is therefore almost always a preparation during periods of so-called "stability" for a later period of struggle, which will test the intrinsic capacity of the parties to the earlier agreement, although the weaker elements will receive a degree of protection through tariffs, subventions, and other forms of artificial support. Such artificial support, however, will not entirely counteract the general tendency toward greater centralization of control and therefore ultimately toward a genuine rationalization of production.

#### **OTHER TYPES OF CARTEL**

A very commonly used classification—a classification primarily concerned with the original cartels—is based upon the particular nature of the agreement between the different units. This classification distinguishes five different types of combination. *Territorial cartels* are those whose main purpose is the allotment to each participating unit of a certain exclusive market. Generally the home markets are reserved and an agreement is made with regard to competition in or division of neutral markets. Since selling in neutral markets easily deteriorates into dumping, the territorial cartel has a strong tendency to concern itself with the total production of its members and thus easily becomes transferred to the second large group of *production cartels*. Here the main purpose is limitation of dumping through prevention of over-production. Sometimes total production is fixed by agreement and divided among the different producers according to their respective "quotas"; sometimes there is an agreement as to the proportion of its productive capacity which each member may use. Generally a system of penalties is agreed upon to be paid by those who exceed their allotment, the fines being divided among those who did not produce their quota. All sorts of special provisions may be agreed upon in order to make such an arrangement more flexible—but generally speaking the temptation to agree upon prices as well as on the amount of production is very strong, since

the variation in costs of production of members otherwise easily leads to friction because of re-exports by third parties from the markets of members with low costs to those of members with higher costs. If the circumstances are favorable, therefore, a production cartel has a strong tendency to become a *price cartel*. It is, of course, not essential for price cartels to delimit markets or control production; but both are done, and particularly the latter, since otherwise prices can be undercut by discounts, freight allowances, and similar indirect methods. The price cartel generally requires an elaborate organization and detailed standardization of practices. When the central organization is also given authority to sell the output of members we have the *sales cartel*, which, comparatively speaking, is a highly integrated form of cartel implying a considerable amount of mutual confidence and of centralized financing. In the fifth and last category are the *patent cartels*, based on the exploitation of the patent system—a legal aid to monopoly control. Patent cartels are of the strongest; the interchange of patents and special processes easily leads to agreements on other matters and generally takes place as a form of insurance against the risk of sudden and devastating improvements in the methods of competitors. The process of interchange is usually accompanied by a system of financial interpenetration so that these cartels generally tend to become combinations. Outstanding

examples are the incandescent lamp cartel (*Phoebus A. G.*, Geneva, Switzerland) and the rayon group.<sup>6</sup>

Some of these cartels are in the *raw material* field. Here we have the international groupings concerned with oil, potash, steel, aluminum, copper, glue, superphosphates, mercury, etc.—and perhaps rayon. Other groups are made up of industries concerned with *producers' goods*, such as machines, semi-finished products, cement, glass, etc. Still others are concerned with *consumers' goods*—that is to say, products which are finished for direct human consumption.<sup>7</sup> Many combinations belong in two categories at once. Thus, most of the chemical groupings which manufacture dyes, acids, etc., as producers' goods, also manufacture pharmaceutical articles and photographic supplies directly for the consumer.

A somewhat detailed examination of a few of these groups may illustrate the significance of these general observations. In selecting particular combinations for study the two most significant groups are included—those which have to do with raw materials and those which have to do with consumers' goods—the first because of their numerical importance and the second because of their public significance. In choosing the steel, rayon and match groups, there has also been kept in mind the desirability of discussing those aspects of the general movement which represent the most recent tendencies.<sup>8</sup>

6. The legal forms which are adopted for the purpose of organization are chiefly determined by considerations of expediency, having regard not only to internal machinery and previous organizational history, but also to the laws of the particular country in which operations are to take place. From the point of view of regulation and public policy the legal form is only of secondary importance—a fact which is generally established quite early in the development of national trust problems. (In the United States the Northern Securities Company decision of 1904 quite definitely settled this point.) Public interest centres rather around the practices of the combination, both with regard to price policy and with regard to its competitive methods.

As an example—which has many points of special interest—we might indicate the international copper cartel which was organized in the United States as Copper Exporters, Inc. on October 12, 1926 under the Webb-Pomerene act. Nearly all of the large American and foreign producers are associated with the enterprise. The association has one hundred non-par, non-dividend paying shares of stock, of which each member has one share. The directors have broad powers, including the right to penalize, by cancelling their shares, any members who break the agreement. The central office is maintained at Brussels under the name of the Copper Export Trading Company; there are many branch offices in Europe. Prices showed

a marked "improvement" after the formation of the association. The legal situation of the enterprise is in many ways obscure because of the peculiar character of the American anti-trust legislation and the extent to which a stable price level abroad has had a restraining effect on the domestic market.

In many cases there is a three-fold legal structure. There is, in the first place, at the base a contractual relationship entered into within each country by the different elements constituting each national group. Next there is an international contractual relationship between different national groups, and finally there is the international legal connection between each individual in the group and the group as a whole. (Cf. League of Nations, E 529, Part II, p. 18.)

7. Hitherto this third group has been much less significant than the first two, although its recent progress has been particularly interesting, since the tendency here is markedly toward international combinations with strong central control.

8. Much of the material in the following sections on steel, rayon and matches, is based on the recent report of the United States Department of Commerce by Dr. William F. Notz, *Representative International Cartels, Combinations and Trusts* (Trade Promotion Series—No. 81, 1929). The author of the present report is, of course, solely responsible for the use here made of the data.

## THE STEEL GROUP

The International Steel Entente is, in the eyes of the general public, perhaps the most prominent example of the new post-war intensification of the international cartel movement. It is primarily a production cartel and includes almost all the important raw steel producers on the European continent.<sup>9</sup> It is not exclusively continental in its terms, however, since the aim has always been to make it as broad as possible, particularly with an eye to including the British industry. English adhesion has not taken place as yet—a fact which is partly due to the very strong individualistic spirit in British industry and also perhaps in some measure to political opposition. Professor MacGregor of Oxford has pointed out that as things stand at present the formation of a cartel is another way of guaranteeing to oneself the advantages of protection; and in a country which is still, in the main, committed to a free trade program the adherence to such a policy on a private basis is therefore likely to be looked upon as contrary to national policy.<sup>10</sup>

### ORIGIN AND PURPOSE

The steel entente is largely the fruit of the peace treaties, which returned Lorraine with its furnaces to France, and separated the Saar district temporarily and Luxemburg permanently from the German customs area. By Articles 264-268 and 280 of the Treaty of Versailles, all these territories were guaranteed free access to Germany until January 10, 1925, at which time it was assumed that new commercial treaties would have been signed. The early period was one of disruption of old contacts, political disturbances (as in the Ruhr) and rather abnormal consumption because of the reconstruction in Belgium and France. The rapidly shifting exchanges of Germany, Belgium, France, Czechoslovakia and Poland added to the irregularities, while German industry, in order to replace its losses in Lorraine and Luxemburg, expanded its activities in the Ruhr and adjoining districts.

9. Next to the British, the Swedish group—with relations in Spain and North Africa—is the most important outsider. Recent reports indicate that it is likely to join this winter.

10. MacGregor, *International Cartels*. League of Nations. 1927.II.16., p. 4.

When the special import arrangements expired in 1925 without the substitution of a new Franco-German commercial treaty—which had become the subject of difficult and acrimonious negotiations—the situation reached its climax with the adoption of new German tariff rates. All of the usual causes of a movement toward cartellization were present: overproduction, overexpansion of capacity in Germany and in the new countries desirous of establishing national industries, and ruinous competition.

A rapid movement toward national and international organization of the industry resulted and, ultimately, on September 30, 1926, final acceptance of the International Steel Entente was announced by the original signatory parties, which included the steel industries of Belgium, France, Germany, Luxemburg and the Saar. The agreement is scheduled to terminate April 1, 1931 but a great many possible reasons for an earlier dissolution are listed. The steel industries of Czechoslovakia, Austria and Hungary joined the entente on January 1, 1927 in a joint capacity to form what was generally known as the "Middle-European cartel." Later (on July 1, 1928) because of difficulties with the penalty system their membership was placed on an individual basis. The admission of Poland is now under negotiation.

The original purpose of the steel cartel was to regulate the production of the member countries and thereby indirectly to stabilize prices. This has gradually proved to be impossible without some form of direct price regulation and there is now even a tendency toward a common sales organization for exports.

### METHODS

The cartel has attempted to establish a basic annual total production figure, together with quotas for the different national units.<sup>11</sup>

Under this cartel each country is assigned a quarterly production quota, as determined by a three-fourths vote of an administrative board composed of one member from each country.

11. For the sake of fair and impartial execution of the stipulations, a Swiss fiduciary company has been appointed to audit the output and deliveries of the cartel periodically.

For every ton produced each member is obliged to make a payment into a common equalization fund. This fund pays for the expenses of the cartel and serves to penalize members who exceed their quota and to compensate members who do not come up to it.<sup>12</sup> The cartel is shaken almost every three months, however, by struggles of the component parties for adjustments of the quota and of the penalty system.

The operation of the penalty system has been the source of most of the periodical crises in the cartel. Fundamentally these difficulties are concerned with the national quotas, which involved considerable concessions by the German and Saar producers at the outset. The German quota amounted to 77.6 per cent of the German steel plants' capacity and the Saar quota to 70 per cent, while Belgium obtained 84.3 per cent, Luxemburg 90.9 per cent and France as much as 94.6 per cent.<sup>13</sup> The German quota was thus relatively much lower than that of France. As a consequence the Germans exceeded their production quota each quarter, and early optimists who believed that the new rationalization of the German industry would make it profitable to do this in spite of the penalties, discovered that their hopes were without foundation. The burden of the penalties was particularly hard to bear as the German excess production was largely due to a sharply increased domestic demand which had not been anticipated when the quotas were fixed.

Owing to pressure from the German group—which repeatedly threatened to leave the cartel—the German quota was increased by enlarging the basic total in April 1927 in such a manner as to give the Germans 43.18 per cent instead of 40.45 per cent as before. In June 1927 the German quota was divided into two categories—72 per cent to be applied to domestic consumption and 28 per cent to exports. The penalty for excess

12. Reichert, "Die Festländische Polstahlgemeinschaft," *Weltwirtschaftliches Archiv*, April 1927, p. 351.

13. *Ibid.*, p. 354.

domestic production was reduced from \$4.00 a ton to \$2.00, while the original penalty was maintained for excess exports. The domestic penalty was finally reduced to \$1.00 a ton in September 1927. In March 1928 the "Middle-European" members succeeded in having the penalty for domestic sales reduced from \$4.00 to \$2.00, while the compensation payments were reduced to \$1.00 a ton.

Further concessions to the German producers were made in the authorization to exceed their export quota by 150,000 metric tons a quarter without penalty. This allowance was further increased on June 27, 1928 to an authorized total of 300,000 tons a month. Meanwhile the penalties were again modified. On each excess ton up to 7.5 per cent of the allotted quota the penalty was to be \$1.00; for the excess between 7.5 per cent and 10 per cent it was to be \$2.00, and beyond that the old penalty of \$4.00 was to be maintained.

These arrangements appear to be only tentative; undoubtedly important modifications may be looked for at an early date. The organization of a closely-knit selling mechanism is in discussion. The principal difficulty seems to be the divergence between the different total production quotas and the percentage of these quotas which goes into exports. Although Belgium and Luxemburg export a greater part of their steel production than Germany, the latter has the largest total quota. The old cartel-builders' maxim, that "no cartel is stronger than its Belgian link," is especially true of steel. In an effort to straighten out some of the difficulties concerned with sales policy, a closer arrangement is at present under negotiation with the European Rail Manufacturers' Association (ERMA)—a post-war cartel based on a pre-war cartel which dates from 1904.

The final agreement of the steel industry upon a *modus vivendi* made possible the Franco-German Commercial Treaty of 1927.

## THE RAYON GROUP

The international rayon agreement is a typical post-war phenomenon—both because of the form of its structure and because of the nature of its product. Rayon (artificial silk) production increased from approximately 1,320,000 pounds in 1896 to 265,900,000 pounds in 1927. The total capitalization of the leading rayon concerns in the United States, England, Italy, Germany and France amounts at the present time to more than \$445,000,000.

The international rayon agreement concerns the three dominating groups in the industry—the British Courtaulds, the German *Glanzstoff* concern and the Italian *Snia Viscosa*, with their Dutch and American subsidiaries and affiliated enterprises. The central agreement is not as important here, however, as the maze of understandings connected with it, and the interlocking directorates and holdings, and the agreements for the division of the market, for joint use of patents, and for regulation of processes and price policy.

Patents have played a very large part in the integration of this industry. While thousands of patents have been registered in connection with the manufacture of rayon, only four fundamental processes have been used on a large scale—viz., the Chardonnet or nitrocellulose, the cuprammonium, the viscose and the acetate processes. The viscose process is by far the most important of these, being used in 81 per cent of European and in 83 per cent of United States production. The principal raw material used in this process is woodpulp, which is provided by Norway, Sweden, Finland, Canada and the United States.

The very nature of an industry based on a patented chemical process, of course, invites centralized control. In the case of the rayon industry a very small number of concerns in a very few countries, but having branches and subsidiaries beyond their national boundaries, control the bulk of the world's production. Other factors playing a part in the formation of this grouping have been the usual economies of mass-production, the growing costliness of single

plants, the desire for mutual exchange of patents and processes, and the avoidance of cutthroat competition.

### HISTORY OF ITS DEVELOPMENT

The great expansion in the rayon industry came after the war. Whereas world production stood at 29,155,800 pounds in 1913, it had risen to 265,900,000 pounds in 1927. During the same period the number of producing countries had increased from 7 to 19, and Germany and Great Britain had yielded their place as the greatest producers to the United States and Italy. Italy, Holland and Belgium export a very large percentage of their national production, whereas Germany and the United States show large imports of the production of others.

There had been a small number of agreements and understandings before the war, but since February 1927 we can say that more than 80 per cent of the world's production has been controlled by a combination of the viscose process concerns. The agreement at that time of the British Courtaulds, the German *Vereinigte Glanzstoff-Fabriken* and the Italian *Snia Viscosa* was subsequently adhered to by the Dutch "ENKA" and the Belgian *Tubize* concern. The celanese group (British), which is affiliated with the Nobel Industries, Ltd. of England and which uses the acetate process, was also drawn into the combination.

### ORGANIZATION

From an economic point of view decidedly the most interesting feature of this combination is the manner in which the different plants are confined to the production of their own specialty, although there are also the usual arrangements about reservation of domestic markets and price maintenance for exports. Another feature has been the refinancing of the Italian group by the English and German interests, after the Italians drifted into considerable difficulties owing to the high stabilization of the lira. In this manner a considerable measure of permanent control of *Snia Viscosa* has been established, including representation on its

Board of Directors by the Courtaulds and the *Glanzstoff* group.

Most of the American rayon production has some relation to the cartel, although American capital has been slow to enter this branch.<sup>14</sup> The Courtaulds have direct subsidiaries in the United States in the American Viscose Company; the *Glanzstoff* concern has subsidiaries in the American *Glanzstoff* Company (Elizabethton, Tenn.), and is indirectly involved in American production through the Bemberg group. The Dutch "ENKA" and Breda concerns—now really one group, since the late M. Loewenstein's death made possible the purchase of the controlling stock of Breda by "ENKA"—also have important American affiliations. Together with the Bemberg group and *Snia*

*Viscosa* "ENKA" is interested in American production indirectly through the Associated Rayon Corporation, formed in November 1928, and directly through the American ENKA Company which is now planning the erection of a plant. The recent amalgamation of "ENKA" and *Glanzstoff* interests in the Dutch *Algemeene Kunstzijde Unie* has further integrated some of these holdings.<sup>15</sup>

Contrary to the general impression created by examination of the steel cartel, the study of the rayon group leaves an impression of permanence and of growing integration, which is due in part to the more advanced stage the combination has reached and also in large measure to the patents underlying the production in this branch of industry.

### THE MATCH GROUP

The Match Trust is another typically modern combination, which has, however, a much greater degree of centralized control than the rayon group, coupled with an ingenious scheme of organization, which in almost all of the countries has given national groups a certain participation in ownership or management.<sup>16</sup> The combination grew to its present significance during the inflation period when interests all over Europe were secured. The structure has at its head the Swedish super-holding company, Kreuger and Toll, which in turn controls the following holding companies: the International Match Corporation, with approximately one hundred match factories all over Europe; the *Administratie Mij voor Nijverheidswaarden* in Amsterdam, which after the manner of investment trusts has entered a number of other fields besides the match

business; and the Sefor Company of Stockholm, which has entered the iron ore and banking business. The total resources of these concerns probably exceed \$300,000,000.

The Swedish match trust has made itself conspicuous through its success in obtaining monopoly concessions from the governments of Poland, Peru, Estonia, Greece, Turkey, Ecuador, Hungary, Jugoslavia and recently, in more or less modified form, in France and Germany. The concessions are accompanied by loans to the respective governments (\$75,000,000 in the case of France and \$125,000,000 in that of Germany). The match company can grant these loans at lower rates than the public credit of the respective countries allows, partly because of its growing prestige and partly because of anticipated reimbursements from the profits of the concession.

### THE LEAGUE AND INTERNATIONAL INDUSTRIAL AGREEMENTS

Detailed and regular information on the problem of industrial integration is still difficult to obtain. Only under American and Norwegian laws have organizations been set up which publish data officially.

14. *Glanzstoff* is affiliated with the German dye interests (*I. G. Farben*) which are close to Standard Oil, and has important relations with the explosives manufacturers. In general, the rayon group seems to enjoy strong European banking support and, owing to the strength of its bargaining position, has been able to set its own terms.

15. *Bulletin of the Netherlands Trading Society* (Amsterdam), October 31, 1929.

Everywhere else information depends on occasional investigations, as by Royal Committees or parliamentary inquiries. These produce a sudden flood of data, but in view of the variable character of the phenomena studied, the findings soon become out of

16. In Switzerland, for instance, the combination has acquired some of the most efficient plants in the country but at least one large concern —*J. H. Moser A. G.*—remained independent. A committee was formed in 1926 to arrange a cartel agreement and under this agreement production and sales are closely regulated. A similar flexibility has characterized the match combinations' activities elsewhere.

date. Shifts and new developments occur almost daily. There is even less information available on the international aspects of the problem, which have received very little beyond incidental attention in any of the investigations thus far. Of the large cartels only the steel group seems anxious to inform public opinion as to its development, and here obvious political reasons exist. In general, data concerning other combinations have to be culled from newspaper reports, technical journals, consular reports and similar sources, and the co-ordination of such scraps of information is left to the observer. This situation is not altogether relished by outsiders and there has been developing a demand for publicity. Thus the report of the Liberal Industrial Inquiry, entitled *Britain's Industrial Future*,<sup>17</sup> concludes its rather critical section on International Cartels and Combines with the statement that "agreements of this kind might be helpful in preventing industrial fluctuations, and should not be indiscriminately attacked. But they are capable of developing into dangerous monopolies, and should be closely watched. The best remedy against the abuse of such agreements is, as in the case of national agreements, full publicity."<sup>18</sup>

#### WORLD ECONOMIC CONFERENCES, 1927

The Secretariat of the League of Nations recognized the difficulty presented by this scarcity of information, and when it was preparing for the World Economic Conference in 1927 it called for a series of reports on the question by a group of distinguished specialists from various countries. This was regarded as particularly important since there was good reason to believe that the conference was originally proposed in 1925 by M. Louis Loucheur on behalf of the French delegation in order to get an endorsement of international industrial agreements as a means of organizing the economic interdependence of the world. The formation of the steel entente in 1926 focused public attention on the problem of international industrial agreements again, and at

the time when the Preparatory Committee was shaping the agenda of the Economic Conference, discussion as to the significance of the movement was intensified by the huge "technological" unemployment in Germany due to the rapid process of rationalization in many of its industries during the years 1926 and 1927.

The discussions at the World Economic Conference were in a way both a climax and a turning point. The Preparatory Committee had listed the "organization of production, including in particular international industrial agreements" as one of the "possibilities of action," implying thereby a possible encouragement of the tendency by the conference. But the successive speeches of the delegates brought out quite clearly the economically contradictory nature of the movement, involving as it does groups organized to take advantage of the savings which consolidations effect in the cost of production, as well as groups which simply desire a stabilization of the *status quo* under present conditions of production whether efficient or not. The point of view of the consumers was also strongly brought forward by the Scandinavians, while M. Jouhaux and other labor delegates advocated temporary retardation of rationalization in order to shift the immediate incidence of technological unemployment.

#### FINDINGS OF THE CONFERENCE

The conference accordingly did not endorse the movement toward international industrial agreements (*ententes*) as M. Loucheur and his group had hoped. In the Final Report the delegates "recognized that the phenomenon of such agreements, arising from economic necessities, does not constitute a matter upon which any conclusion of principle need be reached, but a development which has to be recognized and which, from this practical point of view, must be considered good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest." In some branches they might "secure a more methodical organization of production and a reduction in

17. London, Benn, 1928.

18. *Liberal Industrial Inquiry*, p. 97. The Balfour Committee comes to similar conclusions in its *Final Report of the Committee on Industry and Trade* (Cmd. 3282, 1929), p. 189-93.

costs by means of a better utilization of existing equipment, the development on more suitable lines of new plant [and] a more rational grouping of undertakings"; on the other hand, they might "act as a check on uneconomic competition and reduce the evils resulting from fluctuations in industrial activity." The conference recognized, however, that "such agreements, if they encourage monopolistic tendencies and the application of unsound business methods, may check technical progress in production and involve dangers to the legitimate interests of important sections of society and of particular countries."<sup>19</sup>

The conference did not yield to the demands of those who pressed for the establishment by the League of a variety of international cartel control.<sup>20</sup> Its report points out that this would be too rapid a step in view of the stage of development of international law and the prevailing conceptions of national sovereignty.

"So far as regards international agreements," it adds, "it is generally recognized that the establishment of an international juridical régime is impossible in view of the divergencies between the measures which various countries have considered it necessary to take in the matter, and on account of the objections of principle which a number of States would feel on national and constitutional grounds to any such system. It has, moreover, been pointed out that the laws and regulations and the tribunals of each country have jurisdiction not only over national agreements but also over international agreements in so far as they involve operations within the national territory."<sup>21</sup>

After recommending recourse to a system of voluntary arbitral bodies in which it

19. League of Nations, World Economic Conference (1927), *Final Report*, p. 43.

20. Cf. William Qualid, *The Social Effects of International Industrial Agreements, the Protection of Workers and Consumers*, League of Nations International Labour Office, 1926, p. 33. Qualid's proposal was for the establishment of institutions in each State to safeguard interests of workers and consumers. Their functions were to include (a) local supervision of the working of industrial agreements to ensure that their "presumed innocence of aim is not afterwards accompanied by reprehensible practices"; (b) centralizing and checking complaints, or carrying on investigations on their own initiative; (c) forwarding their findings to their own governments for action or for reference to the League of Nations. It was proposed that these institutions should be composed of technical experts, employers, workers and consumers.

21. For a good summary of the conflicting views at the World Economic Conference on the subject of international "supervision" of international industrial agreements, cf. M. de Peyerimhoff's speech, League of Nations, World Economic Conference (1927), *Report and Proceedings*, Vol. I, p. 151-53. Cf. also the speech by M. Jouhaux in behalf of the workers' delegations, proposing an "autonomous economic organization" within the League. The discussion of this proposal led to the formation of the Consultative Economic Committee to follow up the work of the conference of 1927.

probably had in mind the system of commercial arbitration now being developed by the International Chamber of Commerce,<sup>22</sup> the report concludes with the statement that

"The League of Nations should closely follow these forms of international industrial co-operation and their effects upon the technical progress, the development of production, conditions of labor, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. The Conference is of the opinion that the publicity given in regard to the nature and operation of agreements constitutes one of the most effective means, on the one hand, of securing the support of public opinion to agreements which conduce to the general interest and, on the other hand, of preventing the growth of abuses."<sup>23</sup>

#### BODIES TO CARRY OUT RECOMMENDATIONS

The conference therefore recommended in effect that in case sufficient backing for this program is found in the Assembly, the Secretariat of the League should make efforts to establish cooperation between the respective national authorities and that it should become the fact-gathering and fact-publishing body, so far as the international aspects of industrial combinations are concerned. At its first meeting in 1928, the Consultative Committee of the Economic Organization of the League had to draw the attention of the Economic Committee to the fact that nothing along this line had been established. By the time the second meeting was held, however, important progress in the study of the legal aspects of the problem had been made.<sup>24</sup> The Consultative Committee in 1929 recommended for consideration the

22. Cf. for instance, International Chamber of Commerce, *Rules for Conciliation and Arbitration for Business Disputes of an International Character*.

23. League of Nations, World Economic Conference, *Final Report*, p. 44.

24. League of Nations, Economic and Financial Section, *Review of the Legal Aspects of Industrial Agreements*, E. 529, September 12, 1929. A preliminary (mimeographed) report, entitled *Report on the Laws Governing Industrial and Commercial Combinations*, was submitted by MM. Decugis, Robert E. Olds and Dr. S. Tschlerschky to the Economic Committee on October 16, 1929 (League of Nations, E. 529, Part II).

The three legal experts stated in their conclusions that "economic transformations have been so rapid and profound that they are shaking old conceptions to their very foundations. The legal theories under which we have been living are being put to the test of new facts of wide significance and will undoubtedly have to be revised.... Events in the last few years have run ahead of juridical, economic and political thought. Close observers are only now beginning to grasp the tremendous import of what is going on around them in the

issuing by the League of special annual reports "containing the most important information published on international cartels."<sup>25</sup> Special appropriations will now have to be made for the development of this

work. The general tendency seems clear, therefore. The League is gradually establishing its authority to deal with a question whose international regulation only a decade ago was not seriously contemplated.<sup>26</sup>

## TARIFFS AND INTERNATIONAL INDUSTRIAL AGREEMENTS

There has been a great deal of discussion of tariffs in connection with the development of the international movement toward industrial agreements. The assumption is made that a "cartelized" or closely integrated industry will no longer need customs protection because of its guaranteed markets and that consequently it will no longer use its influence in political and diplomatic circles to back up demands for high protection. Mr. Domeratzky of the U. S. Department of Commerce, in a paper on *The International Cartel as an Influence in Tariff Policies*, presented at the American Academy of Political and Social Science in January 1929, pointed out that

"Whatever we might think of the influence of industrial interests on tariff policies, it is safe to assume that when the outstanding industries of one country have close relations with the corresponding industries of another country, when, as it happens in some cases, their export business is handled through the same central organization and when the high executives meet more or less frequently to discuss their mutual interests, commercial negotiations between the two

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industrial and commercial fields, and to gain some inkling of the consequences which will ensue."

After pointing out that it is "not apparent" to what extent the modern conditions of trade and industry can be fitted into or reconciled with the open and free competitive systems under which business has been carried on, the experts state that they have been "deeply impressed by the fact that we stand face to face with two fundamentally conflicting points of view. The American conception, and perhaps to a lesser extent the British, is an uncompromising maintenance of the principle of competition in the interest of the consumer and of the small producer and trader. On the other hand, in the interest of what is styled national economy, the competitive system has been seriously compromised and invaded on the continent of Europe by the cartel movement, supported in varying degrees by government co-operation.

"It seems, however, to be recognized in Germany and in other countries which have followed her lead, that industrial organizations such as cartels cannot be permitted to go uncontrolled. This means that the governments of those countries are being drawn more and more into the supervisory function, involving regulation of prices, output, etc. Germany, Norway and also Canada have already organized supervision of this kind."

It should perhaps be added that an economic approach, in contrast to a strictly legal one, might not reveal so striking a contrast between the Anglo-American conception and the continental one. The experts recognized that "no formula of reconciliation—if one can be said to exist at all—can be worked out by jurists alone."

The experts point out that private international law "has only recently dealt with these problems" and that it is "clear that existing private law is insufficiently developed, both as regards the material legal effects of international industrial combinations, and as regards the rules of procedure and execution."

countries in question would be more or less influenced by consideration for the interests of the outstanding industries."

Such consideration for the interests of the outstanding industries might not be strong enough, however, to overcome the desire of the industrial groups in question to retain their respective tariff protection as a potential weapon in negotiations for renewal of a particular industrial agreement. Most of the agreements are for short periods and the allotment of quotas to the different national groups is the subject of sharp bargaining and almost continuous negotiation. The respective national tariffs are among the weightiest bargaining advantages of the weaker units in such negotiations, and alterations here are rather unlikely until conditions of much greater stability have been attained. In fact, there have been tariff increases in the past few years for the purpose of strengthening the position of the delegates of particular industrial groups in such negotiations. Professor MacGregor of Oxford has also pointed out that in so far as this stabilization depends upon the outright purchase of some of the weaker groups by the stronger ones—that is to say, a relinquishing of the original cartel form in favor of the international combination or merger—stabilization in the earlier period will impose higher charges upon the purchasing industry, with consequent high costs of production. During this period of international consolidation of the industry,

25. League of Nations, 1929, II.23., p. 19.

26. A discussion of the League's connection with the international cartel and combination movement would be incomplete without mention of the recent developments with regard to coal and sugar, which have placed the League in a position where it comes near to recommending international agreements of the producers of these articles as one of the most important remedies for the present difficulties in the two industries. The League's work with regard to "shipping conferences" also deserves mention. Cf. report of the February 1929 meeting of the Advisory and Technical Committee for Communications and Transit—published in mimeographed form, March 9, 1929, at Geneva. It is interesting to note that in the Assembly of 1929 the German delegation proposed the study of the production and consumption of wheat by the Economic Committee. This has been placed on the agenda for the meeting of January 1930.

the absorbing units will therefore prefer to maintain their respective tariff duties in order not to invite competition in a period of difficult financial readjustments. Later on—in the case, at least, of economically acceptable consolidations—we may assume that this particular pressure would cease. But the period of time involved here is probably one of several decades.

#### COMPARISON OF FUNCTIONS

Essentially there is a close resemblance between the idea of a political tariff and that of an international cartel, especially in its original form. Both aim at the reservation to a special group of particular national markets. Both strike at outside competition by the imposition of artificial handicaps. The international industrial agreement is at present primarily a device for the protection of the various participants; the emphasis falls on the interests of the groups rather than on the larger international interests of the industry as a whole.<sup>27</sup> In this stage, therefore, the growth of the cartel movement is not likely to produce any great momentum toward the lowering of tariff walls. Tariff laws are after all closely integrated; it is not possible to reduce one item without disturbing a number of others—in very different schedules—which have been made proportional to the first, or without upsetting some arrangement whereby duties on particular articles have been fixed in return for some concession in commercial treaty negotiations. It would therefore be difficult to reduce tariffs merely on the ground that a limited number of industrial groups had arrived at some form of international agreement with their competitors.

Ultimate consequences of the movement, however, may affect tariffs in an important manner. Developments in the rayon and chemical industries already point to a tendency among each of the national groups to manufacture the particular articles within the range of the industry in the production of which it has shown an unusual fitness or

27. While cartel and tariff are theoretically alike in that they both aim at limitation of supply, it is not in all cases feasible in practice to effect protection through a cartel where it is possible to protect by means of a tariff. Thus in a country with anti-combination laws, protection by means of an international industrial agreement is contrary to public policy while protection by means of customs legislation may be a revered political tradition.

for which it has developed the best processes or owns the best patents.<sup>28</sup> This is largely so, of course, because the party with the greatest particular fitness—or, as economists would say, with the lowest comparative costs—will believe specialization in the article or process of its choice to be the most profitable concession it can obtain from its fellow members in the cartel or combination. Other members of the group who have developed an aptness elsewhere will feel similarly about some other detail or process. When the developments reach this stage, we shall probably witness within such industrial groups a demonstration of the results of a full division of labor, which to economists is the first and last argument against all undue interference with international trade, whether by the imposition of protective tariffs or by any other method.

Another result of the cartel movement may prove to be a greater impatience with the differences in tariff classifications in the various countries and a consequent pressure, first by private groups and ultimately through the International Chamber of Commerce, for the continuation of the League's efforts toward establishing standardized and simplified tariff nomenclature. This would obviously enhance the authority of the League in tariff matters and might therefore lead indirectly to more reasonable tariff restrictions.

#### INTERRELATION OF CARTELS AND TARIFFS

These, however, are speculations as to the future. As far as the present is concerned it is only possible to conclude that there is a distinct interrelation between high tariffs and international industrial agreements, rather than a tendency to reduce tariffs because of the conclusion of such agreements. The new territorial units after the war put forth efforts to create by tariff protection a new industrial development. Exchange difficulties and the break-down of the pre-war commercial treaty system enhanced the movement toward ever higher tariffs. As already indicated in an earlier section of this report, tariffs frequently lead

28. In the rayon agreement of February 1927 the individual plants were allotted the special fields of production in which they were most proficient. Thus the Italian producers were to specialize in low-priced goods for export to Asia.

to expansion of productive capacity, which in turn results in pressure on exports so that overhead costs may be reduced by spreading them over a larger total production. This generally leads to so-called "dumping" and rapidly brings about a desire for mutual collaboration among members of the same industry to regulate competition. Thus—within the tariff system—cartels or industrial agreements are in a measure an effort to correct some of the evil consequences of the tariffs. In most cases it is an ineffective remedy, of course, since the cartel or agreement is of short duration and all parties to it, as already seen, are anxious to retain or to strengthen their bargaining position with an eye to the possible termination of the arrangement. The over-expansion of normally ineffective producers—which is a marked consequence of tariffs—remains therefore until a more centralized control can be established.

This more centralized control would normally take the form of international combinations or companies, rather than cartels. Meanwhile it is interesting to observe that even the former are to a great extent the result of tariffs, since many of their subsidiaries and branches were originally established in order to avoid the interference of a tariff. International combinations would probably exist under conditions of free trade, but they would in all likelihood be less important, since their tendency would certainly be to take advantage of plants most effectively located or managed, rather than to split production into a large number of national units.

#### CUSTOMS UNIONS

The relation of the tariff to international cartels and combinations cannot be discussed without at least mentioning the fact that a considerable section of opinion looks upon such industrial agreements as a necessary step toward the formation of customs

unions—whose creation, of course, is only another way of establishing larger free trade areas. As early as 1915—at the time of Friedrich Naumann's proposals to establish a *Mittel-Europa* customs union between the Central Powers—it was proposed that in order to avoid a complete annihilation of the weaker industries within such a customs union, cartel agreements should precede its formation so as to insure a more gradual displacement of the less efficient groups and so as to compensate the owners of the industries which are to be displaced by granting them participation in the greater profits of the more efficient national groups.

Somewhat the same idea has played a part in discussions of present-day proposals for a greater degree of customs solidarity between European countries.<sup>29</sup> The formation of cartels and the interchange of shares and interests would remove obstacles to such customs agreements which the endangered vested interests in different national units might otherwise easily create. Prominent among those who have voiced such views are M. Louis Loucheur, M. Elemer Hantos, and the late M. Mayrisch—the first leader of the European steel entente. The last named, in fact, was a firm and loyal supporter of Count Coudenhove's pan-European program and often spoke of the integration of his industrial program for the steel industry with the larger aims for continental solidarity. The fact that English and American industries have frequently remained outside the post-war industrial agreements has, of course, added to the strength of this more regional view of the problem, although American abstention is easily explained by geographical location and a peculiar legal situation. English producers have generally not been able even to consider joining such cartels or combinations, as they have not yet arrived at a substantial degree of national consolidation of their own industries.

#### PRESENT-DAY TENDENCIES

While the movement during the last five years is significant from a quantitative standpoint, the qualitative evolution has been less marked. As the cartel form, properly speaking, is a weak and unsatis-

factory method of coordinating conflicting interests, it is quite possible that after

<sup>29.</sup> Cf. also the discussions at the Düsseldorf meeting of the *Reichsverband der Deutschen Industrie*. The most important speech—that of Dr. Richard Heilner of the *Deutsche Linoleum Werke A. G.*—may be found in *Pax*, October 6, 1929.

the special needs of the post-war period have become less imperative, a movement toward a more highly integrated form of merger or fusion will develop. The first evidence of this is now available in the margarine and rayon combines, where the interpenetration of interests is leading to a more highly concentrated direction. The "cartel" may therefore be a mere stepping-stone in the development of international industrial control.

Before the next stage is reached, however, some very serious conflicts may be anticipated. The new capital equipment which has taken place in many European countries—and particularly in Germany—during the lull in the competitive struggle brought about by the industrial agreements is likely to cause many groups to face either serious financial difficulties or a renewed struggle for a larger share of the market, in order to distribute the new overhead costs over a larger production. As the tendency is general, it can only lead to a new desire to control the evil consequences of competition. By that time the situation may be ripe for a more concentrated form of co-operation.

This higher form of concentration in management, as well as the fact that recent tendencies in the cartel movement are toward the control of the market for consumers' goods, will probably lead to greater pressure for some form of international public supervision—if not ultimately control—of the new international industrial ownership. The demand for publicity which characterized the deliberations of the League's World Economic Conference is comparable to demands made at a similar stage in the early development of the national trust problem in the United States. That phase ended in the establishment of the Federal Bureau of Corporations, with fact-gathering and fact-publishing powers. It is, of course, an open question whether or not the new data which the League Economic Section hopes to make available with regard to international industrial agreements, will ultimately lead to something like an international equivalent of the Federal Trade Commission with its regulatory powers.<sup>30</sup>

30. In this connection it should perhaps be mentioned that many American students of the trust problem would be inclined to question a description of the Federal Trade Commission as "hardly more" than an information and investigation

The problems faced by the two bodies are not dissimilar, however, and the question of unfair trade practices on an international scale, as well as the social consequences of international industrial agreements, both seem well within the broad phrases of the commerce clause of the Covenant of the League and of the Labor Charter (Part XIII of the Treaty of Versailles).

It is interesting to note that while European opinion is moving in the direction of some form of international supervision of regulation, similar views were expressed this summer at the Williamstown Institute of Politics by a former chairman of the U. S. Tariff Commission, Dr. Thomas W. Page, who proposed the organization of a special commercial division of the Permanent Court of International Justice, which would consider all disputes arising out of international trade questions and function in the field of international trade in a manner similar to the Federal Trade Commission in the United States.<sup>31</sup> The linking of such machinery with the Permanent Court of International Justice rather than with the Economic Committee of the League of Nations or with the International Labour Organization might make it feasible to include the United States in the field of its jurisdiction.<sup>32</sup>

Finally, we might draw attention to the fact that many students of the international cartel movement have pointed to the somewhat intangible but nevertheless very real "educational" aspects of the entire development. Large groups of hitherto independent and individualistic business men are brought into a relationship where they learn the advantages of international cooperation and of publicity about each other's activities. This should strengthen the efforts of those who conduct international negotiations of the official type, because of the greater volume of responsible opinion it puts behind them. The economic work of the League of Nations and of the International Chamber of Commerce already shows some of the results of this movement of opinion.

organization—a characterization which occurs in the report of the legal experts to the Economic Committee (League of Nations, E 529, Part II, cited, p. 22).

31. *New York Times*, August 3, 1929.

32. At Geneva in 1927, M. Loucheur proposed the development of "Special Chambers" of the Permanent Court of International Justice to adjudicate disputes with regard to commercial treaties. League of Nations, World Economic Conference (1927), *Report and Proceedings*, p. 129-134.

## APPENDIX

The French Minister of Commerce, in replying to a question from one of the members of the Chamber of Deputies, made public the following list of international agreements in which French industries have participated, together with the year of the establishment of each and the object for which each was organized. The official text was given in *Le Temps* (Paris), December 23, 1929.

*Syndicat international des ampoules électriques, 1925.* Rationalization of production, regulation of sales, patent exchange. Participants: Germany, England, Austria, Belgium, Denmark, Spain, France, Holland, Hungary, Japan, Norway, Poland, Rumania, Switzerland, Czechoslovakia.

*Fédération internationale du chiffon, 1925.* Regulation of exports. Participants: Germany, England, Austria, Belgium, France, Holland, Italy, Switzerland, Czechoslovakia.

*Syndicat international de la colle, 1925.* Rationalization of production, quotas, price regulation. Participants: Germany, England, Austria, Belgium, Denmark, France, Holland, Hungary, Italy, Latvia, Lithuania, Poland, Rumania, Sweden, Switzerland, Czechoslovakia, Jugoslavia.

*Association internationale des huileries, 1925.* Common purchasing contracts for raw materials. Participants: Germany, England, Australia, Austria, Belgium, Denmark, Egypt, France, Holland, Hungary, Italy, Japan, Sweden, Switzerland, United States.

*Entente internationale des fabricants de manchons à incandescence, 1925.* Regulation of sales and markets, price agreement on international market. Participants: Germany, England, Austria, Belgium, France, Holland, Hungary, Italy, Poland, Czechoslovakia, Sweden, Switzerland.

*International Union of the office appliances trades association, February 1926.* Exchange of information. Participants: Germany, England, Austria, Belgium, France, Holland, Italy, Sweden, Switzerland.

*Cartel européen des rails Erma, March 11, 1926.* Price regulation, division of markets, national markets reserved to the industry of each country. Participants: Germany, England, Austria, Belgium, France, Hungary, Luxemburg, Czechoslovakia.

*Cartel international des tubes, July 30, 1926.* Quotas on production, price regulation, division of international markets by percentages. Participants: Germany, Belgium, France, Hungary, Poland, Czechoslovakia.

*Accord international des pneumatiques, September 1, 1926.* Agreement on prices, regulation of conditions of sale and delivery, conditions to retail trade. Participants: Germany, England, Belgium, France, United States.

*Cartel européen de l'aluminium, September 1926.* Regulation of prices and sales conditions, exchange of manufacturing processes, national markets reserved. Participants: Germany, England, France, Switzerland.

*Cartel international des fabricants de matériaux de rivetage, September 16, 1926.* Regulation of prices and sales conditions. Participants: Germany, France, Switzerland.

*Entente internationale de l'acier brut, September 30, 1926.* Production quotas with penalties and compensation. Participants: Germany, Austria, Belgium, France, Hungary, Luxemburg, Saar.

*Entente internationale des laminoirs, September 30, 1926.* Admission of the products in German customs territory. Participants: Germany, France, Luxemburg.

*Entente internationale du fer brut, September 30, 1926.* Price agreement. Participants: Belgium, France, Luxemburg.

*Entente de la potasse, 1926.* Regulation of sales, national markets reserved. Participants: Germany, France.

*Syndicat international du carbure de calcium, February 1927.* Object not determined. Participants: Germany, Austria, Belgium, France, Luxemburg, Scandinavia, Switzerland.

*Cartel international du fil-machine, June, 1927.* Price regulation. Participants: Germany, Belgium, France, Luxemburg.

*Fédération internationale de la soie, October 1927.* Standardization, normalization, and conditioning of production. Participants: Germany, England, China, Spain, France, Hungary, Italy, Japan, Switzerland, Czechoslovakia, United States.

*Cartel international des tréfileries, November 1, 1927.* Production quotas, division of the international market by percentages, price regulation, national markets reserved. Participants: Germany, Austria, Belgium, France, Hungary, Luxemburg, Czechoslovakia.

*Entente internationale des fontes, November 1, 1927.* Regulation of prices and imports in Germany from Lorraine and Luxemburg; division of the market in the Saar and Belgium. Participants: Germany, France, Luxemburg.

*Convention internationale du bismuth, November 1927.* Price regulation. Participants: Germany, England, France, Holland, Italy.

*Convention internationale de la quinine, November 1927.* Price regulation. Participants: Germany, England, France, Holland, Japan, Switzerland, United States.

*Convention internationale de l'iode, November 1927.* Price regulation. Participants: Germany, England, France, Italy.

*Entente internationale du ciment, 1927.* Market protection. Participants: Belgium, France, Luxemburg.

*Association internationale des teintureries de soie, 1927.* Common conditions as to price and sale, protection of the customer. Participants: Germany, Austria, France, Switzerland.

*Fédération du commerce des articles tressés, 1927.* Regulation of conditions of purchase and sale, sales to hat manufacturers. Participants: Germany, France, Switzerland.

*Cartel international de l'industrie du velours et de la peluche, 1927.* Agreement on prices, regulation of qualities. Participants: Germany, England, Austria, France, Italy, Czechoslovakia.

*Cartel du zinc, May 1, 1928.* Regulation of production and prices. Participants: Germany, England, Belgium, Spain, France, Holland, Italy, Norway, Poland.

Since this list was given out French industries have participated in an agreement concerning benzol, another concerning tungsten, and participation has been promised in an accord in the superphosphates branch. A French group has also joined the reconstituted paraffin cartel.

*Comité international du commerce de gros du cycle et des accessoires d'automobile, May 1928.* Cooperation, recognition by the producers of the middlemen, repression of rebates. Participants: Germany, England, Austria, Belgium, Denmark, Finland, France, Holland, Switzerland, Czechoslovakia.

*Cartel international des boutons métalliques, July 1928.* Regulation of prices, national markets reserved. Participants: Germany, France, Czechoslovakia.

*Cartel des industries de la carbonisation des bois, 1928.* Sales regulation, private agreements. Participants: All European producers.

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## *International Relations*

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